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	10490 A
INVESTMENTS	EFFECTIVE DATE
	11/01/2018
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I. BASIC ORGANIZATION


1. Verify the CUSO provides service(s) prescribed in [Section 407](#) of the MCUA.
2. Verify the CUSO is structured as a separate legal entity from the credit union.
3. Verify the corporate veil is not pierced due to management/CUSO actions (e.g. lack of independence between the two entities in management and/or financial reporting).
4. Verify the credit union has obtained a sufficient legal opinion which states the CUSO is structured and operated in a way that limits the credit union's liability to no more than the amount of loans/investments in the CUSO.
5. Verify the credit union has a written agreement which specifies the CUSO will provide financial statements quarterly.
6. Verify the credit union has a written agreement which specifies the CUSO will provide a copy of their annual CPA audit.

II. CUSO FUNCTION

1. Verify the CUSO is adequately capitalized or has a reasonable plan for capitalization.
2. Evaluate the CUSO's financial trends and test the accuracy of the balance sheet.
3. Gain reasonable assurance the CUSO is operating in compliance with applicable regulations.
4. Review the most recent CPA audit and evaluate if concerns were properly addressed, as applicable.
5. Review the CUSO policies and procedures and Board/committee minutes to ascertain:
 - a. What risks from CUSO operations may impact the credit union;
 - b. The CUSO risk management practices are adequate for the risk profile;
 - c. Participating credit unions and other third parties.

III. CREDIT UNION RISK MANAGEMENT

1. Review the financials for the credit union and the CUSO and ensure the accounting and reporting functions are independent.

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2. Verify no actions have occurred which may impair the independence of the credit union and the CUSO (e.g., conflicts of interest, co-mingling of financials, or other practices which may affect the separation of the entities).
3. Verify the Board of Directors has established reasonable limits for loans and/or investments in CUSOs. Ensure compliance with limitations established in the MCUA. (6% of total assets, or 12% of total assets with prior DIFS approval).
4. Confirm management and/or officials of the credit union are not receiving any salary, commission, or other compensation from CUSO activities.
5. Determine if management systems are sufficient to monitor and mitigate risk exposure.